

State of Alaska FY2003 Governor's Operating Budget

Department of Natural Resources Minerals, Land, and Water Development Budget Request Unit Budget Summary

Minerals, Land, and Water Development Budget Request Unit

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BRU Mission

See specific information at component levels.

BRU Services Provided

See specific information at component levels.

BRU Goals and Strategies

See specific information at component levels.

Key BRU Issues for FY2002 – 2003

See specific information at component levels.

Major BRU Accomplishments in 2001

See specific information at component levels.

Key Performance Measures for FY2003

Measure:

Claims, Permits & Leases - The number of leases and permits issued for public and private use of state land.
Sec 112(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The Division operates 31 separate programs, most of which involve a permit, lease, or other authorization. The Division reports specific performance measures for each program on a separate report too large to include here. Detailed spreadsheets on these measures are available upon request from DNR Admin Services Manager (Nico Bus 465-2406).

Benchmark Comparisons:

No specific benchmarks are provided as each of the many different types of permits and leases are unique.

Background and Strategies:

The strategy is to provide more revenue to the state than it cost this program to operate. Put another way, the Division more than pays itself. Its operations provide a return to the general fund and deposit money into the permanent fund. (Revenues included in this calculation do not include those that occur through another department or division: i.e., taxes of any sort, oil and gas royalties, timber stumpage fees, etc.)

Measure:

Claims, Permits & Leases - The number of private-sector jobs created by the issuance of new permits for mining.
Sec 112(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The most recent year for which data is available is calendar year 2000. At that time mine employment was 3,183 private sector mining jobs.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The Division's role in creating private-sector mining jobs is to provide secure land tenure for the industry, and to maintain a high quality permitting system that is efficient for the industry, protects public resources and appropriately involves the public in decisions that affects them. One of the Division's successes last year was to decrease the processing time for new mineral locations from an unacceptable 12-week time to just two weeks. This improvement in service increases the industry's ability to rely on state information to maintain their land tenure, and create more jobs.

Measure:

Land Sales & Municipal Entitlements - The number of acres of land conveyed to municipalities compared to total municipal entitlement.

Sec 112(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 01, DNR transferred 16,677 acres to 10 municipalities. In FY 02 DNR expects to transfer at least 12,000 acres to municipalities. However, assuming a proposed increment to the municipal entitlement program is funded, during FY 03 the department expects to begin accelerating municipal entitlement transfers. If this occurs, the DNR estimates that it will transfer 60,000 acres to 12 municipalities in FY 04 and subsequent years.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

This program transfers state land to municipalities for development, disposal, revenue generation and public purposes. Tasks include: determine acreage of entitlements under AS 29.65, approve municipal selections, issue deeds to municipalities, and identify and classify land for municipal ownership.

Having a secure land base is an important economic development tool for municipalities, and not knowing the eventual land ownership patterns can frustrate development generally. At present rate of conveyance, 12,000 acres per year, DNR will not complete conveyance on the 600,000-acre backlog for approximately 50 years.

An increment is being proposed to fund a comprehensive, public process to determine what land should be reclassified and made available for borough ownership. The six boroughs with the major entitlements backlog are Aleutians East, Lake and Peninsula, Denali, Northwest Arctic, North Slope, and Yakutat. DNR would use added staff to process the borough's selections and revise land use plans to enable additional lands to be conveyed to these boroughs. The three existing municipal entitlement staff are processing higher priority parcels; the existing planning staff are assigned to priority planning projects that enable development in unplanned areas of the state. With this increment, DNR would transfer management of 60,000 acres to these boroughs beginning in FY 04. This would allow DNR to eliminate the present backlog within the decade.

Measure:

Land Sales & Municipal Entitlements - The percentage change in the number of acres of land sold and the revenue generated from land sales and leases.

Sec 112(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 02, the Division offered 2,410 subdivision lots (re-offers of parcels previously surveyed), and 297 remote recreation cabin sites. In addition, 170 subdivision lots remained available for purchase "over-the-counter" from previous years. In total FY 02 was approximately a 1000% increase from FY 01(294 parcels offered in FY01, 2710 parcels offered in FY02). In FY 03, the Division expects to offer a similar amount again: approximately 2,500 subdivision lots and 250 remote recreation cabin sites. In addition, surveyed parcels that remained unsold from FY 02 will remain available for purchase "over-the-counter" at DNR.

Benchmark Comparisons:

There is no benchmark for this measure.

This program makes land available for private ownership. Tasks include: Offer new land for sale; identify and classify additional lands for private ownership; and administer land sale contracts for lands previously offered. In FY 03, the Division expects to generate \$2.8 million from land sales, which is more than pays for the program and will provide a return to Alaskans.

Measure:

Water Development - The number of water right files processed as compared to the number of water rights applied for. Sec 112(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 01, the Division was unable to process all of the water right applications it received. Specifically, the Division received approximately 250 applications and was able to process only 100. The Division was able to process all 151 temporary water applications it received. In FY 01, the Division had a backlog of between 600 and 700 water right applications, and approximately 3,000 total actions (including amendments, transfers, extensions, etc.). As a result of the funding changes made by the 2001 legislature, the Division expects to achieve the following performance goals before the start of FY 03: process the typical water right within 60 days and the typical temporary water use permit within 20 days. Within 5 years, the Division expects to eliminate of the backlog except for instream flow applications. The Division expects to process 2-3 instream flow applications each year.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

To meet the performance goals described above, the Division will, in FY02, use the funding supplied by the 2001 legislature, to adopt streamlining regulations to allow it to conduct its water management operations more efficiently, and will promulgate new fee regulations.

Measure:

Water Development - The percentage change in the number of periodic dam safety inspections. Sec 112(b)(6) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY 01, the Division completed 7 periodic safety inspections. It expects to complete 11 in FY 02, and 12 in FY 03. These numbers represent is a 57% increase from FY 01 to FY 02, and a 9% increase to FY 03. However, the increase does not necessarily represent an increase in efficiency. Periodic safety inspections are scheduled by statute. Thus, seven dams had their periodic safety inspection come due in FY 01, eleven in FY 02, and one more in FY 03.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Authorizations and inspections are the basic tools to insure that dams under state jurisdiction remain safe and protect downstream life and property.

Measure:

Claims, Permits & Leases - The percentage change in the number of active placer, lode, and coal mines and the number of mining locations staked and processed.

Sec 112(b)(7) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Placer mines: During the 2000 calendar year, 346 were permitted; 2001 calendar year, 301 were permitted (a 13% decrease); in calendar year 2002 we expect approximately the same number of placer mines.

In FY 00, there were 3 large (lode) mines operating in the state: Greens Creek, Red Dog, and Fort Knox. In FY 01, the Illinois Creek Gold Mine resumed operation, and the division approved permits for the True North Gold Mine, a satellite mine to Fort Knox. In FY 02, the Division may approve revisions that extend the area or life of mine plans, but

it does not expect applications or approvals for new large mines. In FY 03, the Division expects to finish permitting for the Pogo Mine Project.

In FY 01, the Usibelli complex had three operating coal mines. There was no change from FY 00. In FY 03, the Division expects to finish permitting for the new Rosalie Coal Mine near Healy.

The number of new mining claims no longer accurately reflects the amount of staking activity. Since the legislature's 2000 amendments to Alaska's mining law became August 2000, miners have had the ability to stake either 40-acre or 160-acre claims. For that reason, the *number* of claims no longer accurately reflects the amount of new staking activity. New claim *acreage* is a better indicator. Acreage staked is not yet available for FY 01. The information is being compiled and should be available by the start of the legislative session.

The number of new and total claims by calendar year is listed below. The information is taken from Table 5 of the *Alaska Mineral Industry 2000* published by DNR in cooperation with the Department of Community and Economic Development.

<i>Year</i>	<i>New Claims</i>	<i>Total Active Claims</i>
2000	5,088	54,983
1999	11,977	56,673
1998	9,786	50,464
1997	8,671	43,968
1996	9,495	37,843
1995	4,508	31,796
1994	4,064	35,184

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

With respect to placer mines, the state expects to gain placer mines as federal mines convert to state ownership to escape increasingly complex and difficult federal rules. The Division's role in expediting that process is to maintain its current workable permitting system and to expedite the conveyance (from federal to state). With respect to large lode mines, the state recently authorized the True North Gold Mine as a satellite mine to Fort Knox. It is currently coordinating state permitting efforts for the Pogo Gold Project. With respect to coal mines, the state is permitting a new coal mine in Healy Valley and may work on a major revision to Wishbone Hill, which will make coal from the Matanuska field more likely to be mined. Finally, the increase in service for claim processing has been discussed extensively in the budget submission for the Claims, Permits and Leases component.

Measure:

Geological Development - The total value of Alaska's mineral industry.
Sec 113(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Maintaining the total value of Alaska's mineral industry at greater than \$1.0 billion dollars is an important target for Alaska. This target is expected to rise as newly discovered deposits move from initial development to full production. It is significant that in spite of three very difficult years for the worldwide mining industry, the value of Alaska's mineral industry has remained above the target. In Calendar year 2000, the annual value of Alaska's mineral industry was \$1.28 billion.

Statistics for this measure are compiled on a calendar year basis and will not be complete prior to April 15, 2002 when companies file their final income tax reports. Preliminary figures will be compiled from questionnaires and public sources by early January. Anecdotal information as of November 1, indicates that this measure will be met in FY2002.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The strength of the Alaska mining industry is the result of a working partnership involving the Administration, State Legislature, and the private sector. Many programs in DNR compliment one another to support active exploration for and development of Alaska's mineral resources. DGGs contributes to this effort by generating the fundamental geophysical and geologic data needed to effectively explore highly prospective tracts of mineral terrain. We have also shortened cycle times for getting new geologic and geophysical information into the public domain. Through cooperative programs with federal agencies we are moving massive amounts of geologic data onto the Internet where it is more readily available to catalyze Alaska mineral resource ventures. Good geologic and geophysical data combined with a welcoming business environment have been effective inducements for major capitol investment in Alaska's mineral industry. DGGs intends to continue to seek ways of effectively producing the geologic information needed to maintain this investment in Alaska.

Measure:

Geological Development - The number of acres of ground under private-sector exploration.

Sec 113(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Based upon the trend of claim data from 1993 to 1998, it was expected that by the end of calendar year 1999 there would be about 3.8 million acres of ground subject to active private -sector exploration in Alaska. This corresponds to about 1% of the state's land area. In calendar year 1999, 3,692,680 acres of ground were being held in active state and federal mining claims and state prospecting sites. In calendar year 2000, 3,301,880 acres of ground were being held in active state and federal mining claims and state prospecting sites. In both years Mineral exploration was also occurring on an additional unknown number of acres not recorded under any form of land tenure system. Thus we believe that between 3.3 and 3.8 million acres of ground are now under active exploration.

Final numbers for this measure are compiled on a calendar year basis and will be completed in early January in order to capture all late claim filings in both the state and federal systems. Preliminary numbers suggest that the total number of active state and federal mining claims in Alaska will probably show a slight decrease for 2002 to about 3.1 million acres. This decrease reflects both world economic conditions and the lack of new airborne geophysical surveys on large state land tracts in 2001.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The growth of the mining industry in Alaska has resulted from the complementary actions of the Administration, State Legislature, and the private sector. Annual funding of airborne geophysical/geological mineral inventories of prospective mineral tracts, in combination with Alaska's mine development tax incentive and outreach from the Governor's office, has been a significant catalyzing factor. There are many remaining high mineral potential tracts throughout rural Alaska that offer the opportunity for successful mineral exploration, mine development and employment opportunity if the fundamental geological and geophysical data needed to guide exploration are generated and made available. DGGs plans to continue concentrating its mineral appraisal resources on these highly prospective areas to generate the needed data. In previous years the announcement of the pending geophysical survey has stimulated considerable new private-sector exploration activity. The CIP appropriation for airborne geophysical surveys of state lands during FY01 did not reach the threshold needed to conduct a cost effective survey. Thus no state-sponsored geophysical survey was conducted in FY01. State-sponsored airborne geophysical surveys were conducted in three areas early in FY02.

Measure:

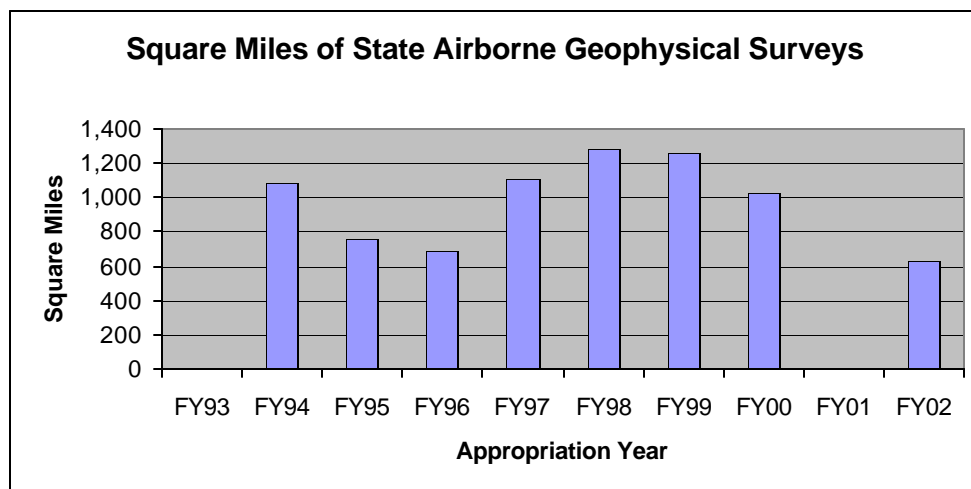
Geological Development - The number of completed geophysical/geological mineral surveys of at least 1000 square miles of Alaska land.

Sec 113(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The 1000 square mile is a challenging target given the staff size and funding available to DGGs. In FY2001, DGGs completed 1240 square miles of federally sponsored airborne geophysical surveys and 808 square miles of geological ground-truth mapping.

Because of an approximately 40 percent increase in the cost of airborne geophysical contracts, DGGS will be able to secure only 630 square miles of new airborne geophysical data on state land in 2002. DGGS is on track to release 1000 square miles of combined mineral and energy ground-truth geologic mapping in 2002.



Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

DGGS intends to maintain this performance measure unchanged for FY2003. We are pursuing complementary federal funding and cooperative agreements with federal agencies in an attempt to acquire resources needed to increase the square miles of geologic ground-truth mapping in geophysical survey tracts that can be completed in a fiscal year. The magnitude of the square miles of airborne geophysical surveys that can be completed in one year is a function of CIP appropriations. A tract of 1000 square miles is in good balance with historic funding, public expectations, and a level of commitment that is effective in catalyzing investment in Alaska's mineral industry. Costs of conducting both airborne geophysical surveys and ground-truth geologic surveys have escalated sharply in the last 18 months, in large part because of increased helicopter contract costs. In FY01 the airborne geophysical CIP appropriation was below the threshold needed to conduct a cost efficient survey. Thus no predominantly state-owned mineral tract was surveyed in FY01. DGGS was able to secure a commitment of federal funds to geophysically survey about 1240 square miles of a mixed ownership (federal - Native Corporation - state) land in southwest Alaska. Because of the ownership pattern of that land, however, we do not believe that this airborne geophysical data will have the same impact on exploration investment, as would a survey over predominantly state lands where access is more open and right of tenure is more certain.

Measure:

Geological Development - The new acres of ground explored by the private sector for oil and gas resources.
Sec 113(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

DGGS data and information generated by the division's energy resource assessment project contributed to 938,701 acres of additional ground being acquired by the private sector for focused oil or gas exploration

Because Cook Inlet oil and gas lease sales are held in May, we do not have FY02 statistics for that area. To date, northern Alaska lease sales have resulted in 1,535,400 new acres of ground being acquired for active exploration (496,760 – North Slope; 60,080 – Beaufort Sea; 978,560 – North Slope Foot Hills).

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The DGGs energy resource assessment project is focused on identifying and filling critical data gaps in the geologic framework of highly prospective areas to encourage new private sector exploration ventures and maintain a healthy oil industry in Alaska. Under the area-wide lease process initiated in 1998, companies are developing new exploration strategies and fiscal plans for all state acreage available on the North Slope, Beaufort Sea and Cook Inlet areas. The state's energy resource assessment project provides essential geologic framework information requisite for valuing their bids for competitive leases upon these lands and to guide subsequent exploration. Geologic information provided by the state for prospective petroleum exploration areas will increase in importance in the years to come if the state is successful in attracting smaller oil companies with less capital to Alaska.

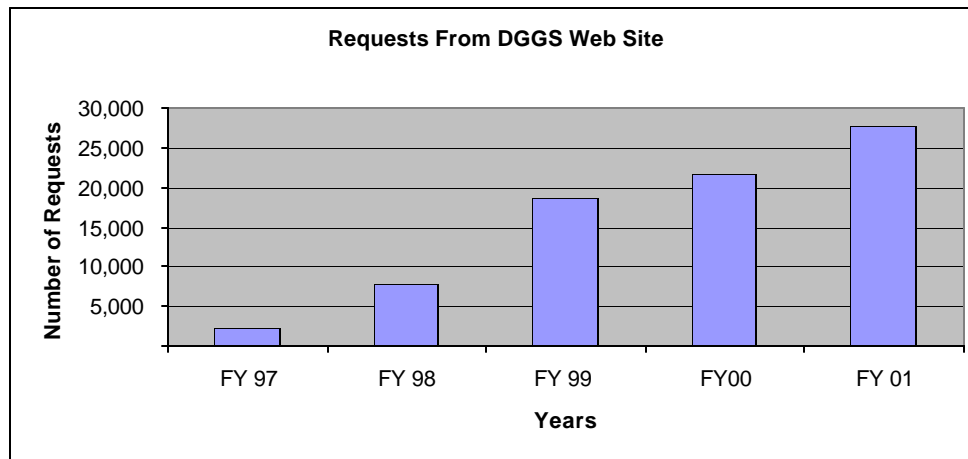
Measure:

Geological Development - The number of users requesting information on the geology of Alaska from the DGGs web site. Sec 113(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The DGGs Web site came on line during FY96. Since that time usage has risen steadily. There is an increasing demand from the users of Alaska geologic data for more DGGs data on the Internet. We expect that demand will continue to rise but we do not know what level to set as a benchmark. As an initial estimate, in mid-FY00 we forecast 20,000 Internet contacts for FY01. By the end of FY01 we had 27,731 users who sought information on the DGGs Web site.

Statistics for this measure are compiled on a fiscal-year basis. As of November 1, 2001 DGGs received 12, 634 external Internet inquiries. We expect to exceed the 27,000 inquires that we received in FY01.



Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The main object of the DGGs Web site is to supply geologic information collected by DGGs to the public at large, including industry, government agencies, and private citizens, as quickly and completely as is feasible. Currently one can locate, read, and download all of DGGs's maps and reports over the Internet. DGGs is now in the process of constructing a geologic database management system that will allow the public to access a wider range of fundamental data files that can be downloaded for in depth analysis. We expect that when this database management system is complete, the Web site will become a primary avenue for securing Alaska geologic resource and engineering geologic data. It is our intent that the cost of this data will be nominal or free to the public. We will continue to provide paper-based products to those that request them, but we believe that the Internet access to DGGs geologic information will have a significant positive impact in reaching Alaskans, and others, that can never be matched by conventional paper maps and reports.

Measure:

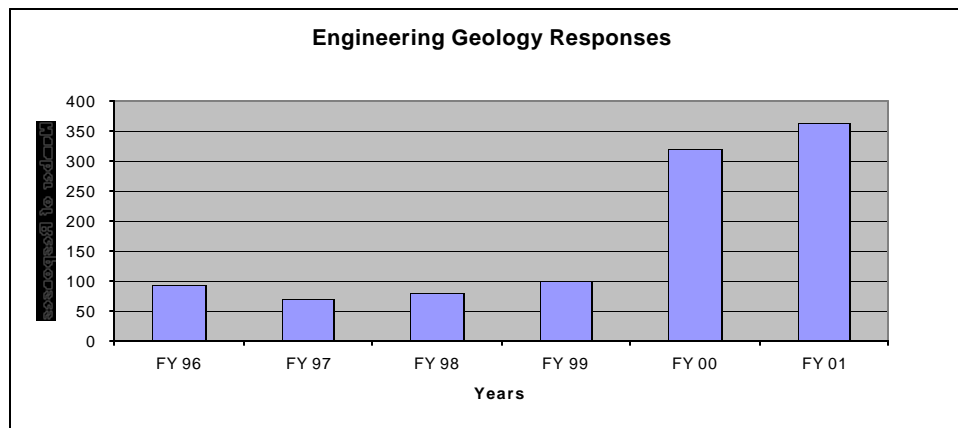
Geological Development - The number of responses made by the division to requests for information or assistance relating to engineering geology or hazards in the state.

Sec 113(b)(6) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Even before DGGs began keeping records of these responses in FY96, it was clear that there was a high demand for this service, which consistently required on the order of 70-80 responses per year. This demand has been increasing and in mid FY00 we estimated that the number of requests would continue to exceed 100 per year. By the end of FY01 the actual recorded responses were 365.

This measure is compiled on a fiscal year basis and has been increasing for the past two years. We expect that it will continue to increase through FY2002. We, therefore, have no fixed target but we expect this measure to at least match the FY01 figure of 365.

**Benchmark Comparisons:**

There is no benchmark for this measure.

Background and Strategies:

A significant component of the workload in DGGs' Engineering Geology section now entails providing timely responses to requests for information and technical assistance on hazards like earthquakes, landslides, and permafrost. Additionally, DGGs fields requests regarding engineering characteristics of geologic materials with regard to aggregate resources and foundation conditions. During FY01, DGGs experienced a marked increase in requests to review land use permit requests for their adequacy in addressing engineering geology and geologic hazard issues. These requests come from other DNR divisions, other state agencies like Transportation & Public Facilities, Emergency Services, and Community & Economic Development, private geotechnical consultants, local governments, schools, and individuals. Nearly all requests require research to locate the area of concern, compile applicable geologic maps and other literature, and formulate a reasoned response. Rather than viewing these requests as troublesome diversions from our scheduled project work, DGGs sees them as an indication of need for better planning and design information and as an opportunity to help reduce long-term costs of responding to and rebuilding unnecessarily from events that can be anticipated and designed for. DGGs intends to improve awareness of the needs for engineering-geologic information and will continue to make these increasing requests a priority while at the same time not sacrificing our commitments to scheduled project work.

Measure:

The number of acres of land acquired toward the Statehood Entitlement.

Alaska's Target & Progress:

In FY 01, the state received 7,698 acres toward its statehood entitlement from BLM. For FY02, DNR expects to receive approximately 550,000 acres. This large conveyance is due to two unusual large-block conveyances: the first

for an area of the Brooks Range foothills for an oil and gas lease sale, and the second for the eastern portion of the Denali Block requested for its mineral values. In FY 03, the gain in entitlement acreage is likely to be only 5,000 acres. This small amount represents the trend for DNR to request individual parcels that are needed for a specific economic development activity, rather than the large areas for more speculative resource value purposes that were conveyed in the past. With the exception of FY 02, we are now getting more parcels, but less acreage.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

In FY 03, receipt of this land will require review of approximately 400 BLM decisions to ensure that clear title is established with appropriate access, to protect public access. Many, approximately 10-20% of the BLM decisions will be challenged or changed through negotiations to ensure that the state receives clear title and appropriate access.

Minerals, Land, and Water Development

BRU Financial Summary by Component

All dollars in thousands

	General Funds	FY2001 Actuals Federal Funds	Other Funds	Total Funds	General Funds	FY2002 Authorized Federal Funds	Other Funds	Total Funds	General Funds	FY2003 Governor Federal Funds	Other Funds	Total Funds
Formula												
Expenditures												
None.												
Non-Formula												
Expenditures												
Geological Development	2,088.2	1,163.8	291.7	3,543.7	2,128.1	1,501.5	406.2	4,035.8	2,162.2	1,511.9	464.5	4,138.6
Water Development	787.1	13.3	107.3	907.7	972.9	29.6	258.1	1,260.6	908.2	39.7	390.3	1,338.2
Claims, Permits, & Leases	5,551.5	671.8	586.8	6,810.1	4,991.1	711.2	1,170.2	6,872.5	5,357.7	722.8	1,190.8	7,271.3
Land Sales & Municipal Entitlem.	0.0	9.5	2,248.4	2,257.9	0.0	51.7	2,653.3	2,705.0	0.0	52.5	2,899.6	2,952.1
Title Acquisition & Defense	968.7	0.0	62.7	1,031.4	982.8	0.0	99.5	1,082.3	1,079.0	0.0	45.2	1,124.2
Director's Office/Mining, Land &	365.9	0.0	151.9	517.8	372.1	0.0	97.3	469.4	380.0	0.0	99.8	479.8
Totals	9,761.4	1,858.4	3,448.8	15,068.6	9,447.0	2,294.0	4,684.6	16,425.6	9,887.1	2,326.9	5,090.2	17,304.2

Minerals, Land, and Water Development**Proposed Changes in Levels of Service for FY2003**

See specific information at component levels.

Minerals, Land, and Water Development**Summary of BRU Budget Changes by Component****From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	9,447.0	2,294.0	4,684.6	16,425.6
Adjustments which will continue current level of service:				
-Geological Development	34.1	10.4	4.5	49.0
-Water Development	-64.7	0.1	87.2	22.6
-Claims, Permits, & Leases	96.6	11.6	20.6	128.8
-Land Sales & Municipal Entitlem.	0.0	0.8	36.3	37.1
-Title Acquisition & Defense	16.2	0.0	3.7	19.9
-Director's Office/Mining, Land &	7.9	0.0	2.5	10.4
Proposed budget decreases:				
-Title Acquisition & Defense	0.0	0.0	-58.0	-58.0
Proposed budget increases:				
-Geological Development	0.0	0.0	53.8	53.8
-Water Development	0.0	10.0	45.0	55.0
-Claims, Permits, & Leases	270.0	0.0	0.0	270.0
-Land Sales & Municipal Entitlem.	0.0	0.0	210.0	210.0
-Title Acquisition & Defense	80.0	0.0	0.0	80.0
FY2003 Governor	9,887.1	2,326.9	5,090.2	17,304.2